

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

DEPARTMENT OF STATE

October 1, 1994 through September 30, 1996

EXECUTIVE DIGEST

DEPARTMENT OF STATE

INTRODUCTION

This report contains the results of our financial audit* , including the provisions of the Single Audit Act, of the Department of State for the period October 1, 1994 through September 30, 1996.

AUDIT PURPOSE

This financial audit of the Department was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

BACKGROUND

The Department of State is responsible for registering and licensing motor vehicles and related functions, regulating Michigan elections, registering lobbyists, and preserving historical records. The Department collects numerous fees and taxes in carrying out these functions.

For the fiscal year ended September 30, 1996, the Department collected \$1.7 billion of revenue for State purposes and expended \$146.4 million for its operations. As of September 30, 1996, the Department had 2,370 employees.

* See glossary on page 46 for definition.
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AUDIT OBJECTIVES AND CONCLUSIONS

Audit Objective: To assess the adequacy of the Department's internal control structure* , including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses*. However we noted reportable conditions* relating to reconciliation of undistributed receipts, inventory control, accounts receivable, expenditure authorization and documentation, and personnel transaction control procedures (Findings 1 through 5).

In addition, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial schedules or its major federal financial assistance program.

Conclusion: Our assessment of the Department's compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the Department's financial schedules or its major federal financial assistance program. However, our assessment disclosed instances of noncompliance related to encumbrance carry-forwards (Finding 6). Our audit did

not disclose any questioned costs relating to the Department's federal financial assistance programs for the

* See glossary on page 46 for definition.
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audit period.

Audit Objective: To audit the Department's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the financial schedules.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of State for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report includes 6 findings and 9 recommendations. The Department agreed with the recommendations.

The Department complied with 5 of the 10 recommendations in our prior Single Audit* . Four of the

* See glossary on page 46 for definition.
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recommendations are rewritten for inclusion in this report, and 1 recommendation was forwarded to another audit currently in process in the Department.

The Honorable Candice S. Miller
Secretary of State
Treasury Building
Lansing, Michigan

Dear Secretary Miller:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of State for the period October 1, 1994 through September 30, 1996. This report contains our executive digest; description of agency; audit objectives, audit scope, and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and independent auditor's reports on the internal control structure, on compliance with laws and regulations, and on the financial schedules. This report also contains the Department of State's financial schedules and notes to financial schedules, supplemental financial schedules, and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The Department of State is 1 of 18 principal departments of Michigan government. The Department's executive officer is the Secretary of State, an elected official with a four-year term. The Department is responsible for registering motor vehicles; licensing motor vehicles, watercraft, snowmobiles, motorcycles, motor vehicle operators, chauffeurs, motor repair facilities, and motor vehicle dealers; and collecting the fees and taxes thereon. The Department's responsibilities also include regulating Michigan elections and the automotive exhaust testing program; registering lobbyists; certifying mechanics; and preserving historical governmental and public records.

The Department is organized into the Executive Office and three main organizational units: Department Services Administration; Regulatory Services Administration; and Service Delivery Administration. Each of the three organizational units is headed by a deputy Secretary of State.

The Deputy Secretary of State for Department Services Administration is responsible for the financial and administrative operations of the Department as well as federal grant management and historical preservation. These operations are concentrated in the Bureaus of Administrative Services and Resource Management Systems. The Bureau of Administrative Services is comprised of the Budget Division, Finance Division, and Management Services Division. The Bureau of Resource Management Systems is comprised of the Office of Human Resources, the Office of Policy and Planning, and the Office of Information Technology. The Deputy Secretary of State for Regulatory Services Administration is responsible for the Office of Internal Audit and Enforcement, Bureau of Automotive Regulation, and Bureau of Hearings.

The following data is included to provide the report reader with some perspective on the Department's operations:

<u>Fiscal Year</u>	<u>Revenue and Operating Transfers In</u>	<u>Expenditures and Operating Transfers Out</u>	<u>Number of Employees at September 30</u>
1995-96	\$ 1.8 billion	\$ 146.4 million	2,370
1994-95	\$ 1.7 billion	\$ 140.3 million	2,254

Audit Objectives, Audit Scope, and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our financial audit, including the provisions of the Single Audit Act, of the Department of State had the following objectives:

1. To assess the adequacy of the Department's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.
2. To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial schedules or its major federal financial assistance program.
3. To audit the Department's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Our audit objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

Audit Scope

Our audit scope was to examine the financial and other records of the Department of State for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We considered the Department's internal control structure policies and procedures for its federal financial assistance programs and assessed the Department's compliance with federal laws and regulations in accordance with the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, in addition to generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition,

we followed up on the prior audit findings and the Department's corrective action plan. The Department has one major federal financial assistance program, which is identified on the schedule of federal financial assistance.

We did not report on compliance for specific requirements for nonmajor federal financial assistance programs because no transactions for nonmajor federal financial assistance programs were selected in connection with our audit of the financial schedules and our assessment of the internal control structure.

Agency Responses and Prior Audit Follow-up

Our audit report includes 6 findings and 9 recommendations. The Department agreed with the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of State to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

The Department complied with 5 of the 10 recommendations in our prior Single Audit. Four of the recommendations are rewritten for inclusion in this report, and 1 recommendation was forwarded to another audit currently in process in the Department.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

INTERNAL CONTROL STRUCTURE

COMMENT

Audit Objective: To assess the adequacy of the Department of State's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses. However, we noted reportable conditions relating to reconciliation of undistributed receipts, inventory control, accounts receivable, expenditure authorization and documentation, and personnel transaction control procedures.

In addition, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

The Michigan Administrative Information Network* (MAIN) is the Statewide financial management system implemented in fiscal year 1994-95. Individual State agencies are not responsible for the design of the Statewide policies and controls of MAIN. However, because MAIN is a Statewide system, which all State agencies are required to use, the internal control structure of each agency, including the Department of State, is affected to varying degrees by MAIN.

Because the Department of State's internal control structure is affected by this Statewide system, professional auditing standards required our assessment of internal controls in the Department of State to include elements reviewed in our financial related

* See glossary on page 46 for definition.
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audit of MAIN for the period October 1, 1994 through April 30, 1996. That audit reported 29 reportable conditions, including 3 material weaknesses, which are more fully explained in our separately issued report dated August 31, 1996.

FINDING

1. Reconciliation of Undistributed Receipts

The Department did not reconcile its undistributed receipts fund or determine the amount of overages and shortages from branch offices. The Department recorded expenditures and revenue for undocumented shortages.

Sound internal control procedures require that the departments reconcile their funds to ensure that they account for transactions and balances in the appropriate funds and properly distribute revenue.

The Department indicated that it did not have the personnel or technological resources necessary to perform the reconciliation.

The Department processed approximately 2.3 million transactions totaling \$1.7 billion dollars through its undistributed receipts fund during fiscal year 1995-96. The Department also recorded all of its overages and shortages in this fund. At year-end, the Department could not identify the source of the revenue left in the undistributed receipts fund and, therefore, allocated the remaining balance, approximately \$700,000, to the three largest revenue sources for fiscal year 1995-96. Failure to properly distribute revenue may result in unauthorized use of revenue from restricted sources.

In addition, the Department was unable to determine accurate overages and shortages in the branches and recorded an undocumented \$50,000 debit to expenditures and a credit to revenue for undocumented shortages for fiscal year 1995-96. The Department made the \$50,000 entry because it had appropriations for shortages equal to that amount and the Department did not want to lose similar appropriations in the future. As a result, the Department overstated expenditures and revenue by \$50,000 for fiscal year 1995-96.

RECOMMENDATIONS

We recommend that the Department reconcile its undistributed receipts fund and determine the amount of overages and shortages from branch offices.

We also recommend that the Department document overage and shortage accounting entries.

AGENCY PRELIMINARY RESPONSE

The Department concurs with the recommendations and has complied effective October 1, 1996.

FINDING

2. Inventory Control

The Department did not have a comprehensive system to properly account for and control motor vehicle license plate and year tab inventories. The Department's internal controls over the license plate and year tab inventory system did not place responsibility for inventory and cash discrepancies or eliminate duplication of effort in recording inventory transactions.

The Department has the Intelligent Terminal (I.T.) computer system for recording transactions at branch offices. In addition, the Inventory Control Unit (ICU) maintains an inventory system on the Department's mainframe computer. The ICU also maintains a Dbase* file with information on shipments of inventory to branches. Revenue from the sale of license plates and year tabs was \$591 million in fiscal year 1995-96.

Our prior five audits have noted various conditions that weaken control over the inventory process. Although the Department has agreed with our prior audit findings and has made enhancements to the I.T. system for some inventory items, the Department was still working on additional improvements to the I.T. and inventory systems.

* See glossary on page 46 for definition.
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We noted the following conditions for license plate and year tab inventories that had not yet been corrected as of our current audit:

- a. Although branch managers are in the best position to control and monitor branch inventory activities, neither the I.T. system nor the inventory system provided the necessary information to help control and monitor their inventories. The I.T. system did not provide reports summarizing the status of inventory items, and the Department's inventory system provided summary reports which contained data that was not current. In addition, branch managers are not required to reconcile the number of tabs issued to sales.
- b. Although year tabs were recorded on the I.T. system when they were received by the branch offices, the system did not have the capability to properly account for the numerical sequence of year tabs when they were issued by the branch offices. This resulted in a loss of control over the tabs.
- c. Although the ICU recorded inventories on the inventory system when items were shipped to the branch offices, the inventory system did not provide a record of those transactions until 4 to 6 weeks after they were entered. Because of the time delay, the ICU also recorded inventories on a Dbase file so it would have more timely information, resulting in duplication of effort and inefficient use of resources.

These weaknesses increase the risk of losses or unrecorded revenue and limit the efficiency of inventory processing.

RECOMMENDATIONS

We recommend that the Department continue its efforts to develop a comprehensive system to properly account for and control motor vehicle license plate and year tab inventories by:

- (a) Providing the necessary information to help control and monitor the inventories.
- (b) Properly accounting for the numerical sequence of year tabs.

- (c) Providing inventory information on a timely basis and eliminating duplication of effort in recording inventory transactions.

AGENCY PRELIMINARY RESPONSE

The Department concurs with the recommendations and will comply by the 1999-2000 fiscal year-end. The Department will re-engineer processes and install a new inventory relational data base system starting in fiscal year 1997-98. The new system will provide the necessary timely information to help control and monitor license plate inventories without duplication of effort. Beginning in fiscal year 1997-98, the Department will re-engineer processes and install new equipment to produce validation year and month tabs at the point of sale thereby eliminating the need for an inventory of year and month tabs.

FINDING

3. Accounts Receivable

The Department did not properly record year-end accounts receivable and revenue for the International Registration Plan* (IRP).

Section 1600.106 of the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the Governmental Accounting Standards Board, requires that revenues be recognized in the accounting period in which they become measurable and available. The State's accounting policy related to IRP revenue considers the revenue available if received within 60 days of fiscal year-end.

The Department did not review IRP collections for proper fiscal year cutoff. We reviewed IRP revenue using the 60-day policy and noted an understatement of accounts receivable and related revenue of \$131,000 and \$1.9 million for fiscal years 1995-96 and 1994-95, respectively.

RECOMMENDATION

We recommend that the Department properly record year-end accounts receivable and revenue for IRP.

AGENCY PRELIMINARY RESPONSE

The Department concurs with the recommendation and will comply by the close of

* See glossary on page 46 for definition.
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fiscal year 1996-97.

FINDING

4. Expenditure Authorization and Documentation

The Department did not maintain an effective internal control structure over the processing of its expenditure transactions.

Act 431, P. A. 1984, requires that each principal department establish and maintain an internal control structure. Sound internal control procedures require that all expenditures be authorized by someone not responsible for preparing the expenditure document and that supporting documentation be maintained.

We sampled 52 expenditures and noted:

- a. Six of the sampled items were authorized by the same person who prepared the document.
- b. The Department did not maintain documentation of approvals for 10 of the sampled items. MAIN's Relational Standard Accounting and Reporting System (R*STARS) does not provide tracking of authorization. The Department developed alternative procedures to track approvals via a cover sheet attached to all expenditures directly processed through R*STARS. However, the Department often did not use the cover sheet to document the authorization of MAIN's R*STARS transactions.
- c. The Department did not have supporting documentation for 10 of the sampled items. Of those 10, 5 were for interdepartmental charges from the Department of Management and Budget (DMB) for central services, such as reproduction services, rent, and telephone which DMB directly charges to the Department's expenditures. DMB has not provided the Department with detailed billing information since the start of MAIN. Because the Department is responsible for the propriety of its expenditures, it should develop a methodology for reviewing and approving these interdepartmental charges.

Also, the Department's policy and procedures manuals did not contain updated written procedures for expenditure processing activities since the implementation of MAIN. Written procedures provide consistency in handling various functions and help ensure that these functions are carried out accurately and in an effective and

efficient manner.

Failure to establish effective control procedures increases the risk that errors exist that will not be detected.

RECOMMENDATION

We recommend that the Department maintain an effective internal control structure over the processing of its expenditure transactions.

AGENCY PRELIMINARY RESPONSE

The Department concurs with the recommendation and is in the process of instituting corrective action to improve internal controls with compliance by October 1, 1998.

DMB posts expenditures into State accounts without providing the Department adequate supporting documentation and without allowing the Department the ability to participate in the transaction approval process. The Department has addressed this issue with DMB and continues to advocate for appropriate changes.

FINDING

5. Personnel Transaction Control Procedures

The Department had not established internal control procedures to prevent the terminal operators* from directly receiving, logging, and preparing the transactions that they input into the system.

Section 3.3 of the MAIN Human Resources System* (HRS) Manual requires that a control person receive, log, and forward the transactions to the terminal operator and that a terminal operator input the transaction.

Our review of transactions performed by terminal operators during the audit period disclosed that one terminal operator entered a personal transaction. This transaction was a change in the terminal operator's own insurance coverage and did not result in any errors.

* See glossary on page 46 for definition.
23-100-97

RECOMMENDATION

We recommend that the Department develop internal control procedures to prevent the terminal operators from directly receiving, logging, and preparing the transactions that they input into the system.

AGENCY PRELIMINARY RESPONSE

The Department concurs with the recommendation and has instituted corrective actions. All entry documents for terminal operators will route through the supervisor for authorization and assignment to another terminal operator for entry.

COMPLIANCE WITH LAWS AND REGULATIONS

COMMENT

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial schedules or its major federal financial assistance program.

Conclusion: Our assessment of the Department's compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the Department's financial schedules or its major federal financial assistance program. However, our assessment disclosed instances of noncompliance related to encumbrance carry-forwards. Our audit did not disclose any questioned costs relating to the Department's federal financial assistance programs for the audit period.

FINDING

6. Encumbrance Carry-Forwards

The Department's internal control structure did not ensure that encumbrance carry-forwards were properly established at fiscal year-end in accordance with DMB criteria.

The encumbrance process allows carry forward of spending authorization related to contractual commitments made in the old year which do not result in expenditure until the new year. DMB Administrative Guide procedure 1210.27 prohibits recording encumbrances if contracts are not signed by September 16 or if contracts are for routine recurring expenditures. Also, generally accepted accounting principles and DMB Administrative Guide procedure 1210.27 require that the cost of goods or services provided before year-end be recorded as

expenditure and liability transactions, not as encumbrances.

We reviewed 6 encumbrance items for fiscal year 1994-95 and 8 encumbrance items for fiscal year 1995-96. We noted:

- a. In fiscal year 1994-95, the Department recorded an encumbrance for items already received by fiscal year-end. As a result, expenditures and liabilities were understated and encumbrances were overstated by approximately \$698,000 in fiscal year 1994-95 and expenditures were overstated by approximately \$698,000 in fiscal year 1995-96.
- b. The Department recorded 1 encumbrance in fiscal year 1994-95 and 3 encumbrances in fiscal year 1995-96 totaling approximately \$28,000 and \$246,000, respectively, that were not supported by contracts. As a result, the Department improperly carried forward spending authority into each of the succeeding fiscal years.

RECOMMENDATION

We recommend that the Department develop internal controls to ensure that encumbrance carry-forwards are properly recorded at fiscal year-end in compliance with DMB encumbrance carry-forward procedures.

AGENCY PRELIMINARY RESPONSE

The Department concurs and will comply by the 1998-99 fiscal year-end. The Department will allocate more time and effort to reviewing year-end encumbrances for compliance with DMB encumbrance criteria.

FINANCIAL ACCOUNTING AND REPORTING

COMMENT

Audit Objective: To audit the Department's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the financial schedules.

Independent Auditor's Report on
the Internal Control Structure

June 2, 1997

The Honorable Candice S. Miller
Secretary of State
Treasury Building
Lansing, Michigan

Dear Secretary Miller:

We have audited the financial schedules of the Department of State for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated June 2, 1997. We have also audited the Department of State's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated June 2, 1997.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement and about whether the Department complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the fiscal years ended September 30, 1996 and September 30, 1995, we considered the Department's internal control structure and internal control elements reviewed as part of our financial related audit of the Michigan Administrative Information Network in order to determine our auditing procedures for the purpose of expressing our opinions on the Department's financial schedules and not to provide assurance on the internal control structure. The Michigan Administrative Information Network is the Statewide financial management system implemented in fiscal year 1994-95 and, as such, affects the Department's internal control structure.

We also considered the Department's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on its compliance with requirements applicable to major federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128.

The management of the Department of State is responsible for establishing and maintaining an internal control structure, which operates in conjunction with the Statewide internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related

costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures, including those used in administering federal financial assistance programs, in the following categories:

Accounting Controls

- Nonpayroll expenditures
- Revenue and cash receipting
- Payroll-personnel system
- Administration of federal financial assistance

Administrative Controls

- General requirements:
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements

Specific requirements:

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort, and/or earmarking requirements
- Special reporting requirements
- Special tests and provisions
- Subrecipient monitoring

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal years ended September 30, 1996 and September 30, 1995, the Department of State expended 95.2% and 89.6%, respectively, of its total federal financial assistance under its major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Department's major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and to administer federal financial assistance programs in accordance with applicable laws and regulations. The reportable conditions are more fully described in Findings 1 through 5.

Also, our financial related audit of the Michigan Administrative Information Network for the period October 1, 1994 through April 30, 1996 noted 29 reportable conditions on the internal control structure which are more fully explained in our separately issued report on the Michigan Administrative Information Network dated August 31, 1996. Although the Department of State is not responsible for the design of the Statewide policies and controls of the Michigan Administrative Information Network, which all State agencies are required to use, these reportable conditions affected the Department's internal control structure.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to

the financial schedules being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures, including those used in administering federal financial assistance programs, would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the departmental reportable conditions described above is a material weakness. Three of the 29 reportable conditions identified in our financial related audit of the Michigan Administrative Information Network were material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the Department of State's financial schedules and of its compliance with requirements applicable to its major federal financial assistance program for the fiscal years ended September 30, 1996 and September 30, 1995, and this report on the internal control structure does not affect our reports thereon dated June 2, 1997.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
Compliance With Laws and Regulations

June 2, 1997

The Honorable Candice S. Miller
Secretary of State
Treasury Building
Lansing, Michigan

Dear Secretary Miller:

We have audited the financial schedules of the Department of State for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated June 2, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Department of State is the responsibility of the Department's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial schedules was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Department of State complied, in all material respects, with the provisions referred to in the previous paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Department had not complied, in all material respects, with those provisions.

We have also audited the Department's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, and/or earmarking; reporting; special tests and provisions; subrecipient monitoring; claims for

advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995. The management of the Department is responsible for the Department's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the previous paragraph occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the findings and recommendations. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Department of State complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, and/or earmarking; reporting; special tests and provisions; subrecipient monitoring; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the fiscal years ended September 30, 1996 and September 30, 1995.

We have applied procedures to test the Department's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures for testing compliance with the general requirements were limited to the applicable procedures described in OMB's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures for testing compliance with the general requirements, which are described in the previous paragraph, were substantially less in scope than an audit, the objective of which is the expression of an

opinion on the Department's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second previous paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of State had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
the Financial Schedules

June 2, 1997

The Honorable Candice S. Miller
Secretary of State
Treasury Building
Lansing, Michigan

Dear Secretary Miller:

We have audited the accompanying schedule of revenue and operating transfers - General, special revenue, and expendable trust funds and the schedule of General Fund sources and disposition of authorizations of the Department of State for the fiscal years ended September 30, 1996 and September 30, 1995. These financial schedules are the responsibility of the Department of State management. Our responsibility is to express an opinion on these financial schedules based on our audit. The governmental operations of the Department are accounted for principally in the General Fund of the State of Michigan. In addition, the Department is responsible for collecting fees for various special revenue and expendable trust funds.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and operating transfers for the Department's General Fund and special revenue and expendable trust funds and the sources and disposition of authorizations for the Department's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of the Department, the State's General Fund, or its special revenue and expendable trust funds in accordance with generally accepted accounting principles.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and operating transfers and the sources and disposition of authorizations of the Department of State for the fiscal years ended September 30, 1996 and September 30, 1995 on the basis of accounting described in Note 1b.

Our audit was made for the purpose of forming an opinion on the Department's financial schedules. The accompanying supplemental financial schedules, consisting of the schedule of revenue - special revenue funds, schedule of revenue - expendable trust funds, schedule of assets by fund, schedule of liabilities by fund, schedule of disposition of General Fund authorizations by appropriation unit, and schedule of federal financial assistance, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. The information in the supplemental financial schedules has been subjected to the auditing procedures applied in the audit of the Department's financial schedules and, in our opinion, is fairly stated in all material respects in relation to the Department's financial schedules.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated June 2, 1997 on our consideration of the Department of State's internal control structure and a report dated June 2, 1997 on its compliance with laws and regulations.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

DEPARTMENT OF STATE
Schedule of Revenue and Operating Transfers
General, Special Revenue, and Expendable Trust Funds
Fiscal Years Ended September 30
(In Thousands)

	General Fund		Special Revenue Funds		Expendable Trust Funds		Totals (Memorandum Only)	
	1996	1995	1996	1995	1996	1995	1996	1995
REVENUE								
Taxes:								
Sales taxes	\$ 211,341	\$ 208,653	\$ 581,088	\$ 570,426	\$	\$	\$ 792,429	\$ 779,0
Use taxes	93,023	90,031	46,504	45,009			139,527	135,0
Resident motor vehicle taxes			535,382	496,698			535,382	496,6
Nonresident motor vehicle taxes			31,036	24,873			31,036	24,8
Total taxes	\$ 304,364	\$ 298,684	\$ 1,194,010	\$ 1,137,007	\$ 0	\$ 0	\$ 1,498,374	\$ 1,435,6
Federal agencies	\$ 738	\$ 776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 738	\$ 7
From services:								
Commercial lookup fees	\$ 27,140	\$ 25,875	\$	\$	\$	\$	\$ 27,140	\$ 25,8
Other	2,386	2,325					2,386	2,3
Total from services	\$ 29,526	\$ 28,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,526	\$ 28,2
From licenses and permits:								
Motor vehicle operator and chauffeur licenses	\$ 20,035	\$ 18,202	\$ 15,730	\$ 13,927	\$	\$	\$ 35,765	\$ 32,1
Auto repair facility and mechanic licenses	4,414	4,342					4,414	4,3
Motor vehicle annual license transfer fee			9,673	9,498			9,673	9,4
Motor vehicle title fees			34,261	33,155			34,261	33,1
Watercraft registrations			10,002	8,808			10,002	8,8
Other	21,581	19,544	15,426	7,747			37,007	27,2
Total from licenses and permits	\$ 46,031	\$ 42,088	\$ 85,092	\$ 73,135	\$ 0	\$ 0	\$ 131,123	\$ 115,2
Miscellaneous	\$ 1,497	\$ 2,204			\$ 36,934	\$ 35,717	\$ 38,430	\$ 37,9
Total Revenue	\$ 382,154	\$ 371,952	\$ 1,279,103	\$ 1,210,142	\$ 36,934	\$ 35,717	\$ 1,698,191	\$ 1,617,8
OPERATING TRANSFERS								
From special revenue funds:								
From Michigan Transportation Fund	\$ 79,225	\$ 71,110	\$	\$	\$	\$	\$ 79,225	\$ 71,1
From Marine Safety Fund	925	791					925	7
Total from special revenue funds	\$ 80,150	\$ 71,901	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,150	\$ 71,9
From expendable trust funds:								
Gifts, Bequests, and Deposits	\$ 31	\$ 1,025	\$	\$	\$	\$	\$ 31	\$ 1,0
Investment Fund	628	584					628	5
Assigned Claims Plan Fund								
Total from expendable trust funds	\$ 658	\$ 1,609	\$ 0	\$ 0	\$ 0	\$ 0	\$ 658	\$ 1,6
Total Operating Transfers	\$ 80,808	\$ 73,510	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,808	\$ 73,5
Total Revenue and Operating Transfers (Note 2)	\$ 462,963	\$ 445,462	\$ 1,279,103	\$ 1,210,142	\$ 36,934	\$ 35,717	\$ 1,778,999	\$ 1,691,3

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF STATE
 Schedule of General Fund Sources and Disposition of Authorizations
Fiscal Years Ended September 30
 (In Thousands)

	<u>1996</u>	<u>1995</u>
SOURCES OF AUTHORIZATIONS		
General purpose appropriations	\$ 23,813	\$ 15,823
Balances carried forward	4,960	8,805
Restricted revenue and restricted operating transfers in	<u>129,095</u>	<u>121,863</u>
Total	<u><u>\$ 157,868</u></u>	<u><u>\$ 146,491</u></u>
DISPOSITION OF AUTHORIZATIONS		
Expenditures and operating transfers out	\$ 146,394	\$ 140,320
Encumbrances carried forward	5,147	1,965
Unencumbered balances forward	5,501	2,995
Balances lapsed	835	1,248
Overexpended	<u>(8)</u>	<u>(37)</u>
Total	<u><u>\$ 157,868</u></u>	<u><u>\$ 146,491</u></u>

The accompanying notes are an integral part of the financial schedules.

Notes to Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the governmental operations of the Department of State for the fiscal years ended September 30, 1996 and September 30, 1995. The governmental operations of the Department are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. In addition, the Department is responsible for collecting fees for various funds, as discussed in Note 2.

The footnotes accompanying these financial schedules relate directly to the Department. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Treasurer's Common Cash, Pension Benefits and Other Postemployment Benefits, Compensated Absences, General Long-Term Obligations, Leases, Risk Management, and Contingencies and Commitments.

b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by generally accepted accounting principles for governmental and expendable trust funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and operating transfers for the Department's General Fund and special revenue and expendable trust funds and the sources and disposition of authorizations for the Department's General Fund accounts. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of the Department, the State's General Fund, or its

special revenue and expendable trust funds, in accordance with generally accepted accounting principles.

Note 2 Schedule of Revenue and Operating Transfers

The Department of State is responsible for collecting taxes and other revenues related to its own operations and those of certain other State departments. These revenues are accounted for in the General Fund, special revenue funds, and expendable trust funds. The special revenue funds include the State Trunkline Fund, Michigan State Waterways Fund, Michigan Transportation Fund, School Aid Fund, and Marine Safety Fund. The expendable trust funds include the Gifts, Bequests, and Deposits Investment Fund and the Assigned Claims Plan Fund. The amounts shown in the schedule of revenue and operating transfers represent only the amounts collected by the Department of State and do not represent total fund revenue and operating transfers for the funds.

SUPPLEMENTAL FINANCIAL SCHEDULES

MICHIGAN DEPARTMENT OF STATE
Schedule of Revenue - Special Revenue Funds
Fiscal Years Ended September 30
(In Thousands)

	State Trunkline Fund		Michigan State Waterways Fund		Michigan Transportation Fund	
	1996	1995	1996	1995	1996	1995
REVENUE						
Taxes:						
Sales taxes	\$	\$	\$	\$	\$	\$
Use taxes						
Resident motor vehicle taxes					535,382	496,698
Nonresident motor vehicle taxes					31,036	24,873
Total Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 566,418	\$ 521,571
From licenses and permits:						
Motor vehicle operator and chauffeur licenses	\$ 15,730	\$ 13,927	\$	\$	\$	\$
Auto repair facility and mechanic licenses						
Motor vehicle annual license transfer fee					9,673	9,498
Motor vehicle title fees					34,261	33,155
Watercraft registrations			5,101	4,492		
Other					15,426	7,747
Total from licenses and permits	\$ 15,730	\$ 13,927	\$ 5,101	\$ 4,492	\$ 59,360	\$ 50,400
Total Revenue	\$ 15,730	\$ 13,927	\$ 5,101	\$ 4,492	\$ 625,778	\$ 571,972

The amounts shown represent only the amounts collected by the Department of State and do not represent total revenue for the funds.

Continued from page 36

School Aid Fund		Marine Safety Fund		Total Special Revenue Funds	
1996	1995	1996	1995	1996	1995
\$	\$	\$	\$	\$	\$
581,088	570,426			581,088	570,426
46,504	45,009			46,504	45,009
				535,382	496,698
				31,036	24,873
\$	\$	\$	\$	\$	\$
627,592	615,436	0	0	1,194,010	1,137,007
\$	\$	\$	\$	\$	\$
				15,730	13,927
				0	0
				9,673	9,498
				34,261	33,155
		4,901	4,316	10,002	8,808
				15,426	7,747
\$	\$	\$	\$	\$	\$
0	0	4,901	4,316	85,092	73,135
\$	\$	\$	\$	\$	\$
627,592	615,436	4,901	4,316	1,279,103	1,210,142

DEPARTMENT OF STATE
Schedule of Revenue - Expendable Trust Funds
Fiscal Years Ended September 30
(In Thousands)

	Gifts, Bequests, and Deposits Investment Fund		Assigned Claims Plan Fund		Total Expendable Trust Funds	
	1996	1995	1996	1995	1996	1995
REVENUE						
Miscellaneous:						
History donations	\$ 2	\$ 9	\$	\$	\$ 2	\$ 9
Mann House trust	30	28			30	28
Museum donations		520			0	520
Munson revenue	9	30			9	30
Assessments to insurers			35,141	33,996	35,141	33,996
Recoveries from servicing insurers			1,207	692	1,207	692
Uninsured motorist			529	440	529	440
Interest			15	1	15	1
Total Revenue	<u>\$ 42</u>	<u>\$ 589</u>	<u>\$ 36,892</u>	<u>\$ 35,129</u>	<u>\$ 36,934</u>	<u>\$ 35,717</u>

The amounts shown represent only the amounts collected by the Department of State and do not represent total revenue for the funds.

DEPARTMENT OF STATE
Schedule of Assets by Fund
As of September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
GENERAL FUND		
Accounts Receivable:		
From services provided	\$ 4,377	\$ 3,629
From district courts	\$ 1,286	\$ 926
From federal agencies	\$ 149	\$ 311
Checks returned for not sufficient funds	\$ 1,290	\$ 1,011
From other funds		\$ 27
Miscellaneous	\$ 1,520	\$ 798
MICHIGAN TRANSPORTATION FUND		
Accounts Receivable:		
Resident registration and added fees due	\$ 1,993	\$ 67
Registration fees due from other states	\$ 17	\$ 177
ASSIGNED CLAIMS PLAN FUND		
Accounts Receivable:		
From insurance companies for assigned claims	\$ 709	\$ 502

The amounts presented include only those fund assets for which the Department is directly responsible and do not represent fund totals. The schedule excludes certain other assets which relate to the Department but are controlled and accounted for centrally by the State, such as equity in Common Cash and cash in transit.

DEPARTMENT OF STATE
Schedule of Liabilities by Fund
As of September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
GENERAL FUND		
Deferred revenue	\$ 257	\$ 259
Accounts payable	\$ 182	\$ 471
Unearned receipts payable	\$ 139	\$ 255
Due to other funds	\$ 13	\$ 10
Due to component units	\$ 89	
Amounts held in custody for others	\$ 3,118	\$ 3,435
ASSIGNED CLAIMS PLAN FUND		
Deferred revenue	\$ 546	\$ 475
Due to other funds		\$ 27

The amounts presented include only those fund liabilities for which the Department is directly responsible and do not represent fund totals. The schedule excludes certain other liabilities which relate to the Department but are controlled and accounted for centrally by the State, such as warrants outstanding.

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DEPARTMENT OF STATE
Schedule of Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Years Ended September 30
(In Thousands)

Appropriation Unit	1996					
	Authorizations	Expenditures and Operating Transfers Out	Encumbrance s Carried Forward	Unencumbered Balances Forward	Balances Lapsed	Overexpended
Executive direction	\$ 20,198	\$ 19,345	\$ 662	\$ 120	\$ 71	\$
Field services	53,605	52,908	383	153	161	
Central records	26,145	25,935	204		6	
Traffic safety	9,347	9,297	10		40	
Consumer protection	9,309	8,061	226	973	49	
Recreational vehicle	1,553	1,523	8		22	
Election regulation	10,015	4,438	1,935	3,581	61	
Historical program	6,181	5,335	59	672	114	
Data processing	13,566	12,025	1,390		150	
Departmentwide appropriations	7,949	7,525	269	2	160	(8)
Total	\$ 157,868	\$ 146,394	\$ 5,147	\$ 5,501	\$ 835	\$ (8)

Continued from page 42

1995					
Authorizations	Expenditures and Operating Transfers Out	Encumbrances Carried Forward	Unencumbered Balances Forward	Balances Lapsed	Overexpended
\$ 18,968	\$ 18,367	\$	\$ 567	\$ 34	\$
53,872	53,177	480	113	102	
18,143	17,521	278	165	185	(5)
9,356	9,306	3	12	35	
10,397	8,913	9	936	539	
1,447	1,441			6	
2,759	2,299	300		160	
8,243	7,449	28	692	75	
15,413	14,402	625	340	46	(1)
7,893	7,446	243	171	65	(32)
<u>\$ 146,491</u>	<u>\$ 140,320</u>	<u>\$ 1,965</u>	<u>\$ 2,995</u>	<u>\$ 1,248</u>	<u>\$ (37)</u>

DEPARTMENT OF STATE
Schedule of Federal Financial Assistance
Fiscal Years Ended September 30, 1996 and 1995
(In Thousands)

Grantor Agency/ Federal Assistance Program Title	Grant/ Contract Number	CFDA Program Number	*	Award Period
<u>U.S. Department of the Interior (A)</u>				
Historic Preservation Fund Grants-in-Aid (B)	26-94-90093B	15.904	**	10/01/94-09/30/95
Historic Preservation Fund Grants-in-Aid	26-95-10074A	15.904	**	10/01/94-09/30/96
Historic Preservation Fund Grants-in-Aid	26-96-11013A	15.904	**	10/01/95-09/30/97
Total U.S. Department of Interior				
<u>U.S. Department of Transportation</u>				
Motor Carrier Safety	CDL 92(1)	20.217		10/01/92-09/30/95
Other Federal Assistance: Pass Through Luncheon (C)	MC-94-01	N.A		06/01/94-01/31/95
Total U.S. Department of Transportation				
<u>U.S. Department of Commerce</u>				
Coastal Zone Management Administration Awards	96CD-0.02	11.419		10/01/95-09/30/96
Coastal Zone Management Administration Awards	96CD-12.01	11.419		10/01/95-12/31/96
Total U.S. Department of Commerce				
<u>National Foundation on the Arts and the Humanities</u>				
Institute of Museum Services	IM-60109-96	45.301		04/30/96-04/29/97
<u>National Archives and Records Administration</u>				
National Historical Publications and Records Grants	95-045	89.003		03/01/95-05/31/97
National Historical Publications and Records Grants	94-147	89.003		04/01/94-05/31/95
National Historical Publications and Records Grants	95-001	89.003		09/01/94-08/31/95
Total National Archives and Records Administration				

Total Federal Financial Assistance

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** Major program, as defined by the Single Audit Act.

(A) The grant fiscal year and the State fiscal year are on the same basis, October 1 through September 30. However, the U.S. Department of the

Interior allows the Department of State until December 31 to submit final reimbursement requests. Thus, this schedule may not relate directly

to the federal financial reports submitted to the U.S. Department of the Interior because of the three-month period to report expenditures.

(B) For fiscal year 1994-95, Historic Preservation Fund grants are for one year, renewable for one additional year according to continuation grant

procedures established by the federal agency. The first year of the grant is noted by the suffix "A" on the grant number. Awards for the second

year are noted by the suffix "B" on the grant number.

(C) Pass through from Department of State Police.

Amount of Award	Amounts Expended - Fiscal Year 1995-96			Amounts Expended - Fiscal Year 1994-95		
	Directly Expended by Department	Distributed to Subrecipients	Total	Directly Expended by Department	Distributed to Subrecipients	Total
\$ 270	\$	\$	\$	\$ 140	\$ 130	\$ 270
\$ 692	164	95	259	388	21	409
\$ 657	438	12	450			
	<u>\$ 602</u>	<u>\$ 107</u>	<u>\$ 709</u>	<u>\$ 528</u>	<u>\$ 150</u>	<u>\$ 679</u>
\$ 153	\$	\$	\$	\$ 24	\$	\$ 24
\$ 100	15		15	29		29
\$ 17				6		6
	<u>\$ 15</u>	<u>\$ 0</u>	<u>\$ 15</u>	<u>\$ 60</u>	<u>\$ 0</u>	<u>\$ 60</u>
\$ 7	\$ 5	\$	\$ 5	\$	\$	\$
\$ 35	13		13			
	<u>\$ 18</u>	<u>\$ 0</u>	<u>\$ 18</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 60	\$ 3	\$	\$ 3	\$	\$	\$
\$ 13				9		9
\$ 9				9		9
	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 19</u>	<u>\$ 0</u>	<u>\$ 19</u>
	<u>\$ 638</u>	<u>\$ 107</u>	<u>\$ 746</u>	<u>\$ 607</u>	<u>\$ 150</u>	<u>\$ 757</u>

Glossary of Acronyms and Terms

Dbase	Computer programming language commonly used for storage and access to large volumes of information.
DMB	Department of Management and Budget.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial statements/schedules of an audited entity are fairly presented in conformity with generally accepted accounting principles.
Human Resource Systems (HRS)	The State's personnel and payroll system that includes payroll, timekeeping, and other functionalities including sub-systems, such as Personnel-Payroll Information System for Michigan and the Payroll-Personnel System.
ICU	Inventory Control Unit.
internal control structure	The management control environment, accounting system, and control policies and procedures established by management to provide reasonable assurance that resources are safeguarded; that resources are used in compliance with laws and regulations; and that financial transactions are properly accounted for and reported.
International Registration Plan (IRP)	A truck registration program in which other states and countries agree to collect Michigan registration fees and remit them to the State. In turn, the State agrees to provide reciprocal services for the other states and countries.
I.T.	Intelligent Terminal.

material weakness	A serious reportable condition in which the design or operation of one or more of the internal control structure elements (including management controls) does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial schedules, would not be prevented or detected.
Michigan Administrative Information Network (MAIN)	A fully integrated automated financial management system for the State of Michigan. The State's primary accounting system.
OMB	federal Office of Management and Budget.
Relational Standard Accounting and Reporting System (R*STARS)	The accounting and financial software package used by the State; part of MAIN.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in the design or operation of the internal control structure.
Single Audit	A financial audit performed in accordance with the Single Audit Act of 1984 that is designed to meet the needs of all federal grantor agencies and other financial report users. A Single Audit is a financial audit which requires additional study and evaluation of the internal control structure and testing of compliance with laws and regulations relevant to federal assistance programs.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
terminal operator	Person(s) responsible for entering changes to employee personnel and payroll records on MAIN HRS.